



SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. BOX 7863
MADISON, WI 53707

MEMORANDUM OF UNDERSTANDING
THE STATE OF WISCONSIN AND
HON HAI PRECISION INDUSTRY CO., LTD.

BACKGROUND

The undersigned, the Honorable Scott K. Walker, Governor of the State of Wisconsin ("Wisconsin"), Terry T. M. Gou, Chairman and CEO of Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), also known as Foxconn Technology Group (the "Company"), Mark R. Hogan, Secretary and CEO, Wisconsin Economic Development Corporation, and Louis K. Woo, Special Assistant to Chairman and CEO of Foxconn, first met in Washington, D.C. on April 28, 2017 to discuss the Company's interest in building two thin-film-transistor liquid crystal display ("TFT LCD") fabrication facilities in the United States, known as Foxconn Project Flying Eagle ("Flying Eagle"). The Company's proposed decision to consider locating these first-ever Flying Eagle facilities in the United States would reinvigorate American electronics manufacturing, improve the balance of trade, and attract further investment from suppliers and other industry participants in Wisconsin and in the United States.

PURPOSE

Since the initial meeting, the Company has issued a Request for Proposal ("RFP") for locating the TFT LCD fabrication facilities in the United States, and Wisconsin has responded with offers of financial support and incentives as described in the comprehensive proposal submitted to the Company on June 2, 2017, which was subsequently revised on June 26, 2017 and on July 12, 2017. Over the last few months, significant communications between representatives of the Company and Wisconsin have given the undersigned confidence that these efforts will result in the parties entering in to a long-term and mutually beneficial relationship.

The purpose of this Memorandum of Understanding ("MOU") is to outline the generally-agreed upon terms and the remaining responsibilities which, if achieved, would result in a definitive agreement and the Company locating the Project 818 fabrication facility ("FAB 818"), as outlined in the RFP, to Wisconsin. FAB 818 shall involve the construction, start-up, and ongoing operations of a TFT LCD facility producing glass substrates that shall serve a multitude of markets.

INTENT OF PARTIES

The parties agree that a long-term mutually beneficial relationship should be established to implement a transformational and sustainable high-tech manufacturing and technology ecosystem in Wisconsin. For the first phase of this historic relationship, the parties agree to as follows:

The Company acknowledges and agrees to:

- Invest up to \$US10 billion to construct FAB 818 in Wisconsin
 - Complete first phase of FAB 818 over four years and second phase of FAB 818 over two years for a total of six years to completion.
 - Create up to 13,000 jobs with an estimated average salary of \$53,875, over a period of up to six years.
- Continue to work with Wisconsin to pursue and establish other opportunities to invest in Wisconsin.
- Support Wisconsin's efforts to pass legislation to accommodate FAB 818.
- Work cooperatively with local, state, and federal officials to site and construct FAB 818, including providing a site plan that will address utility and transportation infrastructure requirements.
- Follow all applicable federal, state and local laws and regulations.

Wisconsin acknowledges and agrees to:

- Immediately pursue legislation in the Wisconsin Legislature to create an "Electronics and Information Technology Manufacturing Zone" ("Zone") that will be specific to FAB 818. Elements of the legislation will include:
 - Providing up to \$US3 billion in a state economic incentive package which will include a construction sales tax exemption and refundable Enterprise Zone credits for capital invested and jobs created (subject to satisfactory review of financial information and required approvals);
 - Modifying eligible advances percentages to 17% and 15% against qualified Wages and Capital Expenditures, respectively;
 - Extending the term of the Zone for up to 15 years;
 - Expanding Tax Incremental Financing ("TIF") limits (e.g. 12% assessed cap, expanding the life of the TIF, etc.) and flexibilities, and allowing the affected municipalities to use TIF in innovative ways to facilitate the development through reimbursements for infrastructure directly related to Flying Eagle and company expenditures incurred to build FAB 818;
 - Expediting permitting reviews in various Wisconsin governmental agencies, wherever possible and within the public interest, to align with the timeline needed to implement the project; and
 - Other changes deemed necessary by both parties to fully implement the project.
- Work with local and regional economic development authorities to enter into land sale contracts for a minimum of 1,000 acres. These contracts shall stipulate the purchase price

of each property and a due diligence period, and would then be assigned to, and executed by, the Company upon commencement of FAB 818.

- Support the Company in engaging federal (e.g. Wisconsin delegation, administrative agencies, etc.), state and local government authorities to facilitate the planning, construction, start-up, and on-going operations of FAB 818, in order to reduce project and operational costs and time to market, as well as to support the Company in its workforce and business development.
- Direct Governor Walker's cabinet members to remain fully committed and engaged in implementing the terms of this agreement and other opportunities to expand the relationship with the Company. Additionally, assign project managers throughout the term of the construction period to work with the Company and its affiliates.

MUTUAL ACKNOWLEDGEMENTS

The terms in this MOU are subject to final negotiations as well as the fiduciary and statutory obligations of both Wisconsin and the Company. The undersigned acknowledge the importance of finalizing the terms of a mutually-beneficial agreement no later than September 30, 2017, and are committed to assigning the necessary resources to meet the timeframe.

By and on behalf of State of Wisconsin:

By and behalf of Hon Hai Precision
Industry Co., Ltd.:

Name: Scott K. Walker
Title: Governor
Date: July 27, 2017

Name: Terry T. M. Gou
Title: Chairman and CEO
Date: July 27, 2017

By and on behalf of Wisconsin Economic
Development Corporation:

By and behalf of Foxconn Flying Eagle
Project:

Name: Mark R. Hogan
Title: Secretary and CEO
Date: July 27, 2017

Name: Louis K. Woo
Title: Special Assistant to Chairman and
CEO of Foxconn
Date: July 27, 2017